

VZCZCXYZ0000  
OO RUEHWEB

DE RUEHUL #2499/01 3660232  
ZNY CCCCC ZZH  
O 310232Z DEC 08  
FM AMEMBASSY SEOUL  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 2788  
INFO RUEATRS/DEPT OF TREASURY WASHINGTON DC

C O N F I D E N T I A L SEOUL 002499

SIPDIS

E.O. 12958: DECL: 12/23/2023  
TAGS: [EFIN](#) [KNNP](#) [MNUC](#) [IR](#) [KS](#)  
SUBJECT: ROKG VIEWS ON INCREASING PRESSURE ON IRAN

REF: A. STATE 127040  
[1](#)B. STATE 125658

Classified By: Economic Minister Counselor Andrew Quinn  
Reason: 1.4 (B) and (D)

[1](#)1. (C) Summary: Econ MinCouns and Deputy Econ Couns followed up on reftel demarches on December 16 and 22 to multiple officials in the Ministry of Foreign Affairs and Trade (MOFAT) and the Ministry of Strategy and Finance (MOSF) to discuss financial pressure on Iran as well as Korea,s energy relationship with Iran. ROKG officials were quick to emphasize that Korea has neither an energy memorandum of understanding with Iran nor investment in Iran,s energy sector. MOFAT Director General for International Organizations, Shin Dong-ik, also stressed that the ROKG takes very seriously its responsibilities under the applicable UN Security Council Resolutions. Kwak Sung-kyu, Director of MOFAT,s Middle East Division, depicted Korea,s financial relationship with Iran as a limited one. Kwak noted that Korea,s Export-Import Bank and credit agencies have suspended dealings with Iranian banks; that the ROKG has imposed sanctions on Banks Sepah and Saderat and employs a high level of vigilance with respect to Bank Melli. Kwak also noted the limited activity (trade financing for private sector transactions) of Bank Mellat, the lone Iranian bank with a branch in Seoul. The Middle East Division suggested that ROKG financial pressure could be increased if the U.S. were to identify acceptable payment methods for Korea,s oil imports from Iran. End Summary.

#### MOFAT -- International Organizations

-----

[1](#)2. (C) Econ MinCouns called on MOFAT Director General for International Organizations Shin Dong-ik on December 16 to follow up on recent demarches (Refs A and B) regarding increasing financial pressure on Iran and on conventional energy relationships with Iran. (Note: The French, Germans, British and Italians delivered the demarches in Seoul on Thanksgiving Day despite earlier contact from post to coordinate delivery. End Note) DG Shin recalled the joint demarche and assured us that the ROKG takes very seriously its responsibilities under UNSCRs 1737, 1747, 1803, and 1835. Regarding the financial sector, Shin noted that the ROKG had tightened regulations to prevent transactions with Bank Melli, Saderat, and Sepah. He noted that Bank Mellat transactions were being scaled back and that ROK firms are withdrawing from operations involving this institution. When pressed for greater clarity on the status of Bank Mellat operations in Korea, Shin noted that MOFAT's Middle East Bureau has the lead on bilateral issues, whereas his own bureau leads on UNSC implementation.

[1](#)3. (C) Regarding energy deals, Shin was emphatic that the ROKG had no Memorandum of Understanding with Iran on energy investment and that private sector lobbying for such an agreement had been rejected. Shin noted increasing concern from the United States and European countries on the issue

and acknowledged that with pressure rising, Iran is looking to the East for business relationships. He stressed that the ROKG told the Iranian Foreign Minister when he visited Korea in November that Iran must abide by UN Security Council rulings and comply with the IAEA safeguards. Shin noted that in recent bilateral meetings with China and Japan, both countries made clear their increasing sensitivity to the importance of the issue.

¶4. (C) EMin also demarched the Ministry of Strategy and Finance's Deputy Minister for International Affairs Shin Je-Yoon. EMin pressed Shin for an active MoSF role in defining and enforcing measures to increase the pressure on Iran. Shin promised to review the issue and MoSF's role.

MOFAT -- Middle East Division  
-----

¶5. (C) Deputy Econ Couns and Econoff followed up on December 22 with MOFAT's Middle Eastern Division Director, Kwak Sung-kyu, and Iran Desk officer Lee Sung-hwan. Lee noted that the ROKG had reminded the Europeans that the ROK was the first country to sanction Bank Saderat. He said they also told the Europeans that Korea's Export-Import Bank and export credit agencies have suspended all dealings with Bank Melli and Saderat. Lee added that MOFAT had informed the Europeans that the ROKG's oil importation from Iran was not essentially different from Italy's.

¶6. (C) We noted that the statements from DG Shin Dong-ik regarding Bank Mellat (paragraph 2 above) were similar to things we have heard for the last year or more and that they did not indicate any movement on the issue. Kwak acknowledged that it is possible that Bank Mellat activity may have shown some increase recently in the number of transactions but that it is very difficult to know the composition and size of these transactions. He said that ROK law does not allow inspection of Bank Mellat transactions without a warrant. When pushed on the purpose of the bank's branch in Seoul, Kwak responded that the bank provides trade financing for private sector transactions. On Sepah and Saderat, Kwak told us that sanctions apply through the Foreign Exchange Act -- any accounts would be frozen and transactions would be blocked. Lee added that a high state of vigilance is in effect on Bank Melli as well and noted that it would not be allowed to establish a branch in South Korea. (Note: In a further follow-up conversation on December 30 with the Foreign Exchange Review Team of the Bank of Korea, we learned that completion of pre-sanction transactions is allowed for Banks Sepah and Saderat with BOK approval. No new transactions are allowed with Bank Sepah, but the BOK does have authority to authorize transactions with Bank Saderat if the transaction can be proven to be clean. End Note.)

¶7. (C) On energy, Kwak and Lee reiterated the point made earlier -- the ROKG does not have an Energy MOU with Iran and does not have energy investments in Iran. Lee noted that he had just returned from accompanying Korea's "Energy Ambassador" (a private sector appointment by President Lee Myung-bak) to Turkey and Iran. He described the trip as an initial consultation but reiterated that Korea is not considering energy investments in Iran. Asked whether Bank Mellat has a role in payments for oil imports from Iran, Lee sidestepped. He noted that Korean importers had begun buying Iranian oil with Yen and Euro instead of dollars to avoid possible freezing of transactions. Lee noted that the ROKG had previously suggested that tougher sanctions on Iranian banks would be easier if the U.S. were to provide guidance on acceptable payment options for oil imports.

STEPHENS